

BEFORE THE TENNESSEE REGULATORY AUTHORITY  
PREPARED DIRECT TESTIMONY  
OF

HAROLD G. KING, JR.  
IN RE: FOOTHILLS UTILITIES, INC.

RECEIVED

2004 OCT -5 PM 1:30

T.R.A. DOCKET ROOM

Docket No.04-00117

1. Please state your name, position and address:

ANSWER:

Harold G. King, Jr.,  
President of Foothill Utilities, Inc.  
103 Regal Tower  
Maryville, Tennessee 37803

2. Have you provided a summary of your educational background and professional experience?

ANSWER:

Graduate Maryville High School 1974  
Graduate Pellissippi State Technology Associate Degree 1981  
Tennessee Real Estate Principal Broker License number 00220402  
Certified Commercial Investment Member Certificate number 4509  
Tennessee Contractor Industrial/Commercial/ Residential License No. 53337

3. Have you previously submitted testimony before the Tennessee Regulatory Authority or any other Regulatory Commission?

ANSWER:

No.

4. Do you hold any licenses which have been issued to you by the State of Tennessee?

ANSWER:

Contractor's license No. 53337  
Tennessee Real Estate Principal Broker License number 00220402  
Expired Insurance License agent number 0678073

5. What is the subject matter of your testimony?

ANSWER:

- a. I will provide you supporting information regarding the need for the establishment of Foothills Utilities.
- b. I will further provide testimony regarding the type of system which will be utilized to treat waste by Foothills Utilities.
- c. I will also provide testimony regarding the financial calculations in preparation of the proposed tariff for Foothills Utilities.

6. Are you offering any additional exhibits in conjunction with your testimony?

ANSWER:

Yes. I will be offering a revised tariff which reflects recent changes, corrections and adjustments which have been made to address these concerns brought to my attention by the TRA.

7. Who are the principal parties involved in King Properties?

ANSWER: Harold G. King is sole-proprietor of King Properties

8. What is the relationship of the principals involving King Properties and Foothills Utilities, Inc?

ANSWER: King Properties president Harold G. King is father to Harold G. King, Jr. president of Foothills Utilities.

9. What expertise and/or experience do you have in operating a utility company?

ANSWER: I have 25 years of running business Real Estate Brokerage Century 21 King Properties (6-12 full time agents) 10 years, Full Service Car Wash & Detail Shop (28 full time employees) 5 years, Managed a Construction Company, Overnight Cabin Rental, Restaurant, and Golf Course (50-75 employees seasonal) 4 years. Golf Course and Clubhouse properties (15-30 seasonal) 8 years. Presently no experience in Investor Owned Private Utility.

10. Absent any experience operating a utility company, what support help if any, would you be utilizing to assist you in operating the utility company.

ANSWER:

J. Gilbert Parrish, Jr. Counselor

Michael G. Long CPA

Bob Colvin, P.E. engineering

Jack & Jeff Brownfield Specialized Operations Services, Inc. equipment sales & management

Robert Young State Certified Operator Waste Water Plants run, maintain, & test

Gary Ferguson Blount County Environmental Agency

Jeff Rose Maryville Utilities Director of Water Quality Control

David Latham daily experience in waste water plant operations

11. Do you currently have available cash and/or capital as the sole stock holders of the of Foothills Utilities, Inc., to capitalize the initial improvements for the utility company?

ANSWER: Waste water system components furnished by King Properties to the Company will be recognized as contributions in aid of construction in the amount of the actual cost of design and construction. Capital contributions from developers will be treated in a like manner. King Properties will pay for initial installation and Foothills Properties will account these improvements as contributions in aid of construction. Foothills Utilities Inc. will not incur any direct cost or debt of the installation of the waste water plant, collector lines, and spray irrigation disposal.

12. Why do you deem it necessary to form Foothills Utilities?

ANSWER: The pollution to the Little River watershed from drain fields. The ability of soils in the Laurel Valley Development is not feasible to carry the demand for treatment of waste water.

13. Are there any other available options to providing sewer service for any of the customers who would be offered service by Foothills Utilities?

ANSWER: Typical septic fields and drain fields. Presently the subdivision known as Cades Cove village (24 residential homes) is experiencing problem with their grinder pumps and effluent disposal.

14. How have you modeled your tariff for Foothills Utilities?

ANSWER: With help from TRA and using Tennessee Waste Water Tariff 2004-0699

15. Do you believe the revised tariff will meet the long term and sustained needs for the utility?

ANSWER: Yes

16. Are there any plans to provide sewer systems for any adjoining utilities?

ANSWER: No, not presently geographical infeasible

17. Are there any plans to act in a partnership capacity or joint venture with an adjoining utility?

ANSWER: No

18. Is Foothills Utilities, Inc., in good standing with the Tennessee Secretary of State?

ANSWER: Yes

19. Is Foothills Utilities, Inc., in good standing with the Tennessee Department of Revenue?

ANSWER: Yes

20. Do you anticipate with any inner connections with any other utilities or any other inner connections being planned?

ANSWER: No

21. Are you familiar with the content of the petition filed with the TRA?

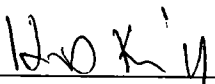
ANSWER: Yes

22. Are all facts reflected in the petition will correct?

ANSWER: Yes

Yes, to the best of my knowledge

This the 30 day of September, 2004.

  
\_\_\_\_\_  
HAROLD G. KING, JR.

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TARIFF OF  
FOOTHILLS UTILITIES, INC.  
CONSISTING OF  
SCHEDULE OF RATES, TERMS, AND CONDITIONS  
FOR  
SANITARY WASTE WATER SERVICE  
APPLYING TO  
FOOTHILLS UTILITIES, INC.,  
ALCOA, TENNESSEE

NO MODIFICATION OF THESE SCHEDULES SHALL BE  
MADE EXCEPT FOR THE PURPOSE OF CANCELING OR  
SUPERSEDING PREVIOUSLY ISSUED SCHEDULES

Issued By: Foothills Utilities, Inc.

Address: 261 Hannum Street  
P.O. Box 307  
Alcoa, Tennessee 37701  
(865) 982-5115

TENNESSEE REGULATORY AUTHORITY  
460 James Robertson Parkway  
Nashville, Tennessee 37243-0505  
(615) 741-2904

Issue Date:

Effective Date: September 30, 2004

**FOOTHILLS UTILITIES, INC.**

**TRA # 1**

**TARIFF**

FOOTHILLS UTILITIES, INC.  
 Operations and Maintenance Costs  
 Collection System  
 Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #1 Tank Pumping</u>		
variable – 3 to 4 years – average 3 1/2yrs– 42 months		
\$130 00 per pumping / 42 = \$3 10 @ month	\$3 10	\$3 10
<u>Tariff Item #2 Equipment Replacement Costs</u>		
pumps, control panels, valves, etc.		
average over a 20 year period – 240 months.		
materials & equipment cost – 1 pump, ½ control panel		
2 float switches – cost - \$570.00		
labor costs – 7 hours @ \$30 hour = \$210 00		
total = \$780/240=\$3.25	\$3.25	\$3 25
<u>Tariff Item #3 Preventive Maintenance</u>		
annual system checks and corrections		
labor 44 hours @ \$30 / hour = \$13 20 / 12 months	\$1.10	\$0 00
<u>Tariff Item #4 Service Calls</u>		
variable based on local utilities		
service truck & technician		
0.25hr / month x \$60 00 / hr = \$1 50	\$1 50	\$0 00
	<hr/>	<hr/>
Total	\$8 95	\$6 35

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## FOOTHILLS UTILITIES, INC

## Treatment Systems Costs

## Residential Service

## Advantex

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #5 Annual Preventive Maintenance</u>		
clean dosing system – check values – check pumps		
clean top of filter – check electrical control system		
clean recirculation tank		
costs – variable depending on filter system size		
average one hour per EDU per year costs $\$30.36/12=\$2.53$	\$2.53	\$0.00
<u>Tariff Item #6 Trouble Calls</u>		
02 hr / month / EDU $.02 \times \$40.00 / \text{hr.} = \$0.80 / \text{month}$		
historical averages	\$0.80	\$0.00
<u>Tariff Item #7 Equipment Replacement Costs</u>		
pumps, valves, media, electrical control systems,		
average over 20 year period or 240 months		
for 40 EDU Pump costs - \$4,800.00		
for 40 EDU One Media replacement - \$20,000.00		
for 40 EDU Electrical control system components		
and misc - \$3,040.00 average cost per customer		
per month = $\$696.00 / 240 = \$2.90$	\$2.90	\$2.90
	<hr/>	<hr/>
Total	\$6.23	\$2.90

Note EDU is an Equivalent Dwelling Unit.  
It represents one average household.

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FOOTHILLS UTILITIES, INC  
Treatment System Costs  
Residential Service  
Reservoir and Packaged Advantex Plant

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #8 Annual Preventive Maintenance</u>		
remove vegetation, repair aerators, clean liner		
estimated cost - \$1 10 per month per EDU	\$1 10	\$0 00
 <u>Tariff Item #9 Trouble Calls</u>		
01 hr / EDU - 01 x \$30.00 / EDU =		
\$0 30 per EDU per month	\$0 30	\$0 00
 <u>Tariff Item #10 Equipment Replacement Costs</u>		
averaged over 20 years		
media, valves, aerator system and controls - \$11,520 00		
for 40 EDU - \$11,520 00 / 40 = \$288 00		
/ EDU - \$288 00 / 240 = \$1 20 per month	\$1 20	\$1 20
	_____	_____
Total	\$2 60	\$1 20

Note EDU is an Equivalent Dwelling Unit  
It represents one average household

## FOOTHILLS UTILITIES, INC

## Electrical Power Costs

## Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #11 Systems with Sand Gravel Filter Treatment</u>		
The major utility will be electricity and the largest users of electricity are the pumps. For systems with sand gravel filter treatment and an average of 40 homes the estimated cost for electricity is \$32.00 per month		
\$32.00 / 40 = \$ 80 / month per home	\$0.80	\$0.00
<u>Tariff Item #12 Systems with Lagoon Treatment</u>		
The major utility will be electricity which is needed to power the aerators and in some cases pumps. For systems with lagoon treatment and an average of 40 homes, the estimated costs for electricity is \$12.00 per month. $\$12.00 / 40 = \$0.30$ / month per home		
	\$0.30	\$0.00
<u>Tariff Item #13 Systems with Pump Stations</u>		
The cost of electricity for pump stations will depend on the gallons of effluent pumped. Assuming a single pump station will serve 40 homes, the estimated cost of electricity per pump station is \$20.00 / Month - $\$20.00$ per month / 40 homes = $\$0.50$ per home per month		
	\$0.50	\$0.00
<u>Tariff Item #14 Systems with Metering Stations</u>		
The average monthly cost of electricity for a Metering Station is \$14.00		
\$14.00 / 40 homes = \$0.35 per home per month	\$0.35	\$0.00

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## FOOTHILLS UTILITIES, INC

## Disposal System Costs

## Spray Irrigation

## Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #15 Annual Preventive Maintenance</u>		
check dosing system, clean distribution piping system, clean filters, check electrical control system cost - 135 hrs / EDU / year x \$40 00 = \$5.40 year = \$0 45 / month	\$0 45	\$0 00
<u>Tariff Item #16 Trouble Calls</u>		
variable depending on travel time cost - 06 hrs / EDU / year X \$40 00 = \$2 40 year = \$ 20 / month	\$0 20	\$0 00
<u>Tariff Item #17 Equipment Replacement Costs</u>		
pumps, filters, spray distribution system, electrical control system. Cost over a 20 year period \$211 20 / 240 – per EDU = \$ 88 month	\$0 88	\$0 88
	<hr/>	<hr/>
Total	\$1 53	\$0.88

## FOOTHILLS UTILITIES, INC.

## Sampling, Testing and Reporting Costs

## Residential Service

The State of Tennessee Department of the Environment, Division of the Water Pollution Control, issues an operating permit for each waste water treatment facility and as part of the permitting process, sets limits on the various components of the waste stream that may be discharged. In order to monitor the process, the state requires the operator to evaluate system parameters, take samples, have those samples tested in a qualified laboratory and report the results of those tests to the state. At present, these tests are required at least on a monthly basis, but can be more frequent depending on the permit and the type of disposal system. Other important variables in the process are travel time to gather the samples and the costs to deliver these samples to the laboratory. Foothills Utilities intends to contract for these services across the state with reputable companies as near to the systems as practical. Whenever it can be arranged, Foothills Utilities intends to require the company collecting the samples to do some system checks and minor adjustments.

	Average Monthly Costs	Amount to be Escrowed
<u>Tariff Item #18 Spray Irrigation Disposal</u>		
The average cost for this service is estimated at \$280.00 per month		
This estimate is based on preliminary experience with contracting for these services and the expected permit requirements by the state		
For an average of 40 homes per system the monthly cost per home		
Is $\$280.00 / 40 \text{ homes} = \$7.00$	\$7 00	\$0 00

Tariff Item #19 Reservoir and Point Discharge Disposal

The average cost of this service is estimated at \$368 00 per month.  
 This estimated is based on infrequent discharges (probably two per month and minimal testing requirements) If more frequent discharges become necessary this cost will rise substantially For an average of 40 homes per system the monthly cost per home is estimated at  
 $\$368.00 / 40 = \$9.20$

\$9.20	\$0.00
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## FOOTHILLS UTILITIES, INC

## Billing and Collection Costs

## Residential Services

Tariff # 20 Billing and Collection Costs

It is the intention of Foothills Utilities, Inc. to use the most efficient means of billing and collection available to each service area. As a practical matter, it is usually best if the water supplier (usually a Utility District) to do a joint billing for water and waste water. A Survey of the members of the Association of Utility Districts shows that the charge for billing and collections services range from a low of \$1 per month to a high of \$2 50 per month per customer. Due to facility and personal constraints, many water suppliers are not willing to provide joint billing and collection services. In these situations, Foothills Utilities, Inc. will endeavor to contract with a local company to do the billing and collections. In some circumstances, Foothills Utilities, Inc may be forced to pay a premium price for these services.

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
Estimated Billing and Collection Costs	\$1 50	\$0 00

## FOOTHILLS UTILITIES, INC.

## Miscellaneous Costs

## Residential Services

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff # 21 Miscellaneous Costs</u>		
This category covers costs such as legal enforcement of contracts, annual TRA fees, rate case expenses and other costs that do not fit into the above categories		
Estimated Miscellaneous Costs	\$0 40	\$0.00

FOOTHILLS UTILITIES, INC.  
State of Tennessee, Department of Environment,  
Division of Water Pollution Control  
Annual Fee  
Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff # 22 Annual Fee Residential Service</u>		
For each waste water treatment facility that has been issued an operating permit by the state, an annual fee must be paid to the state to defray the costs of monitoring the system and insuring compliance and environmental regulations. The present fee for treatment facility is \$250 00 for an average of 40 homes per facility the costs per home is $\$250.00 / 40 = \$6.25$ The costs per home per month = $\$6.25 / 12 = \$0.52$		
	\$0.52	\$0.00

## FOOTHILLS UTILITIES, INC.

## Franchise and Excise Tax

## Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #23 Franchise Tax</u>		
Assuming an average of \$100,000 of plant and equipment per site – Franchise Taxes on \$100,000 of plant and equipment – \$0 25 per \$100.00 of equipment = \$250 00 / Year / 12 = \$20.83 / month for an average of 40 homes - \$20 83 month / 40 = \$0 52 / month	\$0.52	\$0.00
<u>Tariff Item # 24 Excise Tax</u>		
Excise Tax – 6% of net income estimate - \$5 month x 6%	\$0 30	\$0.00
	—	—
Total Franchise and Excise tax	\$0 82	\$0 00



**FOOTHILLS UTILITIES, INC**  
**Public Utility Ad Valorem Property**

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #25 Public Utility Ad Valorem Property</u>		
assuming an average of \$100,000 of plant and equipment per 40 homes sites and an average of \$20,000 of land Public Utility Ad Valorem taxes on \$120,000 of plant and equipment and land calculated as follows. for contributed plant and equipment, the basis is calculated at 25% of value $25 \times \$120,000 = \$30,000$ equalization factor is 55% - $55 \times \$30,000 = \$16,500$ tax = $\$16,500 \times \text{local rate}$ local tax rate for our services area is estimated to be 2.75% tax = $\$16,500 \times .0275 = \$454$ per year or \$37 83 per month for an average of 40 homes - $\$37.83 / \text{mo} / 40 = \$0.95 / \text{month}$	\$0 95	\$0 00

## FOOTHILLS UTILITIES, INC.

## Federal Taxes

## Residential Service

	<u>Average Monthly Costs</u>	<u>Amount to be Escrowed</u>
<u>Tariff Item #26 Federal Taxes</u>		
Foothills Utilities, Inc will have to pay tax on the net amount placed in escrow. In the years covered by our projection, this will result in a substantial outlay of cash for payment of taxes		
Escrow amount to be treated as profit – average over a 10 year period (Annual amount escrowed) – (annual equipment replacement costs)		
$(\$121.56) - (\$77.16) = \$44.40$ per year		
Net monthly taxable amount = $\$44.40 / 12 = \$3.70$ / month		
estimated taxes on $\$3.70 = \$1.11$	\$1.11	\$0.00

FOOTHILLS UTILITIES, INC.

Local Management Fee

Residential Service

Tariff Item #27 Local Management Fee

It is the intention of Foothills Utilities, Inc. to contract with other companies to provide local and regional management of the day to day operations. This is necessary to hold costs down and provide reliable service to numerous systems throughout the state

For a fee of \$2 00 per month, local management companies will manage day to day operations of the company, insuring that maintenance providers, billing, collection and the other services are being performed properly and that customer problems are handled

Local Management Fee

\$2 00 per customer per month

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FOOTHILLS UTILITIES, INC  
Corporate Management Fee  
Residential Service

Tariff Item #28 Corporate Management Fee

The Corporate Management Fee is compensation for costs of service not covered elsewhere in the tariff

Corporate Management Fee	\$2.80 per customer per month
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**FOOTHILLS UTILITIES, INC.**

**RULES AND REGULATIONS**

## RULES AND REGULATIONS

Governing the waste water collection and treatment systems of Foothills Utilities, Inc.

### Statement of Purpose

The general purpose of these rules and regulations is:

- 1 To establish procedures for furnishing waste water collection and treatment services on a uniform basis to customers within the Company's service area
- 2 To provide standards and procedures for
  - a Acceptable waste water characteristics
  - b Protection of the integrity of the water tight system
  - c Engineering design standards
  - d Construction standards and inspection requirements
  - e Quality of materials

### Definition of Terms

- 1 Company— shall mean Foothills Utilities, Inc
- 2 Engineer- shall mean the consulting engineer of Foothills Utilities, Inc
- 3 Customer – shall mean any person, firm, corporation, association or government unit furnished waste water by the Company
- 4 Property - shall mean all facilities owned and operated by the Company
- 5 TRA – shall mean the Tennessee Regulatory Authority
- 6 STEP Tank – The words STEP Tank shall mean the septic tank located near building which accepts waste and contains a pump vault
- 7 STEG Tank – The words STEG Tank shall mean the septic tank located near the building which accepts waste and contains an effluent filter.

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- 8 Service Line – The words Service Line shall mean the line from the STEP/STEG Tank to the Collector Line.
9. Collector Line – The words Collector Line shall mean the line form the Service Line to the Main Line.
10. Main Line – The words Main Line shall mean the line from the Collector Line to the treatment facility
- 11 Building Outfall Line – the words Building Outfall Line shall mean the line that carries waste from the building to the STEP/STEG Tank
- 12 Pumping Station – The words Pumping Station that contains pumps and receives effluent from STEG Tanks and / or collector lines

#### **AUTHORIZATION OF RULES AND REGULATIONS**

The Foothills Utilities, Inc., a corporation organized and engaged in business as a investor owned utility in the State of Tennessee under a Certificate of Convenience and Necessity issued by the Tennessee Regulatory Authority under Docket Number 04-00117, submits the following statement of its rules and regulations

#### **EFFECTS OF RULES AND REGULATIONS**

All provisions of these rules and regulations shall be incorporated in each contract with each waste water Customer of the Company

#### **UTILITY ITEMS ON PRIVATE PROPERTY**

The Company shall not furnish or maintain any items or appurtenances for waste water service on the customer's premises without execution of an agreement for an easement or encroachment. No property of the company shall be located on the premises of customers except waste water shut-off valves maintained by the Company Filter(s), clean outs, and tank(s) shall be located on the customer's property and maintained by the customer The building and Building Outfall Line shall be maintained by the Customer

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### DISCONTINUANCE OF SERVICE

Service under any application may be discontinued for the following reasons

- 1 Non-payment of bill as hereinafter set forth
- 2 For misrepresentation in the application
- 3 For adding to the Property or fixtures without notice of the Company
- 4 For unauthorized tampering or molesting any service pipe, tank, control system, filter or any property of the Company in any manner whatsoever
- 5 Abandonment of premises No occupancy for 6 months or non-payment of waste water bill for 3 months
- 6 For violation of any rules of the Company.
- 7 For disconnecting or re-connecting service by any party other than a duly authorized agent and/or approved service provider of the Company without the consent of the Company.

### NON-PAYMENT PENALTIES

A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within the fifteen days after the due date, a written notice will be sent to the customer. If payment is not received 10 days after written notice, service will be turned off from the customer's property as per the Waste Water Subscription Agreement (page 2.7) executed by the customer with no additional notice by company being sent. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including but not limited to disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15.

### RETURN CHECK CHARGES

For any and all returned checks submitted by the customer to the utility, a \$25.00 return check charge fee to cover administrative charges of the utility.

### Changes in Ownership, Tenancy of Service

A new application and agreement must be made and approved by the Company on any change in ownership of property, or in tenancy, or in the service as described in the application.



In the event of failure of a new owner or tenant to make application, the Company shall have the right to discontinue service until such new application is made and approved

#### Security Deposits

Each new Customer, before connection or reconnection of the service, will be required to make eighty dollars (\$80.00) refundable deposit to secure payment of wastewater service bills. Interest will be paid on deposits held by the company at the rate published in the Federal Reserve Bulletin for the preceding calendar year. Deposits will be retained by the company as long as required to insure payment of bill (TRA Rule 1220-4-3-.15(7)).

#### Waste Water System Access Fee

The owner of each property parcel which is provided a tap when the waste water system is built will be required to pay a waste water access fee of \$84.00 per year. The fee will be payable each year by December 15<sup>th</sup>, for owners of record, as of December 1<sup>st</sup>. As each customer attaches to the waste water tap and signs up for service, they will pay a pro-rated access fee for that year and thereafter the fee shall not be charged.

#### Engineering, Materials and Construction Standards

1. General – this specification covers the type of waste water system required for various design conditions of waste water constructed by developers. These requirements called for are minimum in all cases. Bedding conditions, materials specification, sealing requirements and installation methods are the responsibility of the design engineer and must be approved by the Company Engineer. Design and construction of waste water lines shall meet the requirements of the State of Tennessee Department of Engineering, in addition to this specification. Where conflicts exist, the more restrictive shall govern.
2. All waste water collection system components are to be watertight. This includes Building Outfall Lines, all tanks, Collector Lines, Service Lines and Main Lines. Collector Lines and Main Lines are to be tested to 100 pounds per square inch of water pressure. Risers and lids are to be watertight.
3. STEP and STEG Tanks are to be installed near the building to be served. The tanks are to be in a level condition and tested for water tightness before backfilling.
4. All pipe is PVC. Classes and sizes will per Engineer's design and in all cases SDR 21 class 2000 will be the minimum allowable.

5. Only wastewater drains are to be connected to the waste water system. No other water source such as roof drains, sump pumps, condensation lines and swimming pools shall be connected to the waste water system.

#### Special Pretreatment Waste Water Requirements

For all waste water connections the Company reserves the right to require user to provide special pre-treatment for any high strength effluent before discharge onto its waste water system. The Company may, upon the basis of recognized engineering standards and treatment costs, increase the rate charged to cover the cost of treatment of high strength effluent or industrial waste, and may impose recognized engineering standards as to the maximum size of solids and constituents in such waste discharged into its waste water system.

Additionally, if excessive volumes of waste water are received, the Company may require the Customer to monitor flow volume and increase surge holding capacity at the Customer's expense. All customers will be required to follow the Do's and Don'ts list for Effluent collection system, supplied to them by the Company. These requirements prohibit the dumping of any toxic chemicals that kill tank bacteria and disposal of an excessive amount of grease, among other substances.

#### Damages

The Company shall in no event be responsible neither for maintaining any building outfall line owned by the customer, nor for any damages created by waste water escaping there from, nor any defects in Customer's building line or fixtures. The customer shall at all times comply with all regulations of the Tennessee Regulatory Authority and of the Company. All leaks in any building pipe or fixture on the premises of the Customers shall be immediately repaired by the Customer. On failure to repair any such leak, the service may be discontinued until repairs are made.

Inspection

All pipes, valves and fixtures shall at all reasonable hours, be subject to inspection by the Company or its duly authorized agent

In Event of Emergency

The Company shall not be liable to the Customer for the interruption in service, or for damages or inconvenience a result of any interruption, stoppage, etc , which was beyond the reasonable control of the Company In case of an emergency, call 865-982-5115 or cell number 865-363-2880.

Service Area

The Company will provide service within its current service area Additions to the service area must be approved by the Tennessee Regulatory Authority

Extension Plan

The Company may furnish waste water service to property owners whose lands abut the Main Line of existing waste water systems The waste water service charges listed in the waste water billing structure do not include costs for constructing the waste water system Any waste water components required to service such abutting properties shall be constructed at the cost of the parties desiring same, and these components shall become the property of the Company, to be credited to the account for contributions in aide of construction All construction, materials and design must be approved prior to acceptance by Company In addition, treatment system component costs will be paid by the Customer desiring to hook up to the system. Waste water service to new areas within a service territory will be made available where it is technically feasible and the developer or property owner is willing to bear the expense of designing and constructing the waste water system

Contributions in Aide of Construction

Waste water system components furnished by developers and land owners to the Company will be recognized as contributions in aide of construction in the amount of the actual cost of design and construction. Capital contributions from developers will be treated in a like manner. The developer and or land owners shall be liable and agree to make payments to the utility for all state, federal and local tax liability incurred due to the transfer of any improvements under contributions in aide of construction.

Contracts for Service

Each Customer before installation of service shall be required to execute, on the appropriate forms furnished by the Company, a Waste Water Subscription Contract.

Customer Billing Forms

Customer billings will vary by location. Where the local water provider is willing to do joint billing, which will be the preferred method. In some instances, coupon books will be issued for payment of a flat monthly fee. In cases where pass through treatment costs and commercial customers are involved, a monthly bill will be sent to the customer and will be based on water used.

Public Contact

Harold Gilbert King Jr  
P O Box 307  
ALCOA, TN 37701  
Phone 865-982-5115

Tennessee Regulatory Authority Regulations

The Company, in its operation, shall conform to all applicable rules and regulations promulgated from time to time by the Tennessee Regulatory Authority. Phone # 1-800-342-8359.

WASTE WATER SUBSCRIPTION CONTRACT

PRINTED NAME

DATE

ADDRESS OF PROPERTY

MAILING ADDRESS (Street, City, State, Zip)

PROPERTY TELEPHONE NUMBER

CELL PHONE NUMBER

I hereby make application to Foothills Utilities, Inc ("FUI") for waste water services at the address of the property stated above. In consideration of the undertaking on the part of FUI to furnish waste water service, I understand, covenant and agree as follows:

1. I understand that components of a waste water system have been installed on the property referred to above, which is owned or occupied by me, and which is to be connected with a wastewater disposal system owned and /or maintained by FUI. I warrant that any connection to and/or subsequent use to this system by the components on my property shall be in accordance with the Rules, Regulations, and Plans of FUI. Regarding my usage of the system components on my property, which are owned by me, I covenant to follow the guidelines set forth in the USER MANUAL (Do's and Don'ts for Effluent Collection System). Should I violate these Rules and/or abuse or damage my components, I understand that I must bear the expense to repair or replace the same in accordance with the Plans of FUI.
2. I acknowledge FUI, its successors and assigns have a perpetual easement in, over, and under and upon the above specified land as shown on the property plat, with the right to operate and repair all components of the waste water system on my property, including but not limited to the septic tank, the STEG (Septic Tank Effluent Gravity) or STEP (Septic Tank Effluent Pumping) system. I further grant FUI permission to enter upon my property for any reason connected with the provision or removal of waste water service or collection therefore.
3. For all other plumbing and structures on the property, including the out fall line to the septic tank, I agree that I am responsible for all operation and repair thereof.
4. I hereby authorize FUI to purchase and install a cutoff valve on my side of my water meter and grant FUI exclusive right to use such value in accordance with its Rules and Regulations. However, the use of this value does not in any manner relieve me of my obligation to pay water service to the service provider.
5. I understand and agree to pay a security deposit of \$80.00, to promptly pay for service at the current schedule of rates and fees and agree to abide by and be subject to FUI billing and cutoff procedures. Should I not pay in accordance with FUI's Rules, I agree to pay all costs of collection, including attorney fees.
6. I accept the current Rules and Regulations and the Rates and Fees Schedules and agree to abide by any amendments to such Schedules.
7. I agree that this Agreement shall remain in effect for as long as I own, reside upon or rent the above described property. When such circumstances no longer exist, I agree to provide notice to FUI at least thirty (30) days in advance of my vacating the property.
8. A non-payment penalty of five percent (5%) of the monthly charge will be due after the due date shown on the bill. If payment is not received within the fifteen days after the due date, a written notice will be sent to the customer. If payment is not received 10 days after written notice, service will be turned off from the customer's property. No service shall be reconnected if discontinued for non-payment (or any other valid reason) until all charges have been paid, including but not limited to disconnection and reconnection fees. The disconnection fee is \$10 and the reconnection fee is \$15. For any and all returned checks submitted by the customer to the utility, a \$25.00 return check charge fee to cover administrative charges of the utility.

SUBSCRIBER'S SIGNATURE

DATE

Effective Date. September 30, 2004

Docket No. 04-00117

**FOOTHILLS UTILITIES, INC.**  
**TERRITORY ORIGINAL SHEETS**  
**RESIDENTIAL SERVICES**

Foothills Utilities, Inc.  
Waste water Service Billing Summary  
Residential Waste water Rates

<u>System</u>	<u>Monthly Charge</u>
Blount County – Original Sheet 3.2	\$35.11

Foothills Utilities, Inc.  
Waste water Service Billing Structure for  
Blount County  
Residential Waste water Rate

	<u>Monthly Charge</u>	<u>Amount to be Escrowed</u>
Collection System Maintenance and Operations – Tariff Items 1-4	\$8 95	\$6 35
Treatment System Costs – Advantex System – Tariff Items 5-7	\$6 23	\$2 90
Utility Costs – Treatment and Pump Station - Tariff 11 & 13	\$1 30	\$0.00
Disposal System Costs – using spray irrigation – Tariff 15-17	\$1 53	\$0 88
Sampling and Testing costs – Required by State of Tennessee Tariff Item 18	\$7.00	\$0 00
Billing and collection costs- Tariff item 20	\$1.50	\$0 00
Miscellaneous Costs – Tariff Item 21	\$0 40	\$0 00
State of Tennessee Department of Environment Annual Fee - Tariff Item 22	\$0 52	\$0 00
Franchise Fee – Tariff Item 23	\$0.52	\$0.00
Excise Tax – Tariff Item 24	\$0 30	\$0.00
Public Utility Ad Valorem Tax – Tariff Item 25	\$0 95	\$0 00
Federal Tax – Tariff Item 26	\$1.11	\$0 00
Local Management Fee – Tariff Item 27	\$2 00	\$0.00
Corporate Management Fee – Tariff Item 28	<u>\$2 80</u>	<u>\$0 00</u>
Total	\$35 11	\$10 13
Fees: Non-Payment – 5%, Disconnection -\$25, Reconnection -\$15, Returned Check - \$20, Access - \$84/ yr (See Rules and Regulations for Explanation)		

Effective Date: September 30, 2004

Docket No 04-00117



Foothills Utilities, Inc  
Waste water System with Commercial Customers

System

County

Laurel Valley Clubhouse Original Sheet 3.5

Blount

## Tariff Rate Original Sheet

## Commercial Waste water Rates – without food service

The monthly waste water charge per customer is based on the design flow expected from the type of establishment being served. A minimum of \$75 per month will be charged for up to the first 300 gallons per day design flow expected. (Except off-site this will have a \$73.00 minimum plus pass through costs.) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$15.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, up to 3,000 gallons per day, the following monthly charges per 1,000 gallons of daily flow will apply.

<u>Treatment</u>	<u>Drip/Spray Irrigation</u>	<u>Point Discharge</u>	<u>off Site</u>
Sand-Gravel Filter	\$140.00	\$165.00	N/A
Lagoon	\$116.00	\$140.00	N/A
Off Site	N/A	N/A	Pass Through Costs +\$73.00

For design daily flows over 3,000 gallons, the monthly charge on all system configurations will be \$116.00 per 1,000 gallons of daily flow.

Additional surcharges will apply when customers exceed their expected design flows. For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply:

<u>Excess water usage</u>	<u>Surcharge</u>
1 gallon to 1,000 gallons above expected design flow	\$175.00
1,001 gallons to 2,000 gallons above expected design flow	\$200.00
Over 2,000 gallons above expected design flow	\$200.00/1000 gallons

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with the increasing the capacity of the system will be paid by the customer.

Off Site means the treatment and disposal by another entity such as a city or utility district.

<b>Fees</b>	Nonpayment – 5%
	Disconnection - \$10
	Reconnection - \$15
	Returned Check - \$20

## Tariff Rate Original Sheet

## Commercial Waste water Rates – with food service

The monthly waste water charge per customer is based on the design flow expected from the type of establishment being served. A minimum of \$100 per month will be charged for up to the first 300 gallons per day design flow expected. (Except off-site this will have a \$94 00 minimum plus pass through costs ) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$18.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, up to 3,000 gallons per day, the following monthly charges per 1,000 gallons of daily flow will apply

<u>Treatment</u>	<u>Drip/Spray Irrigation</u>	<u>Point Discharge</u>	<u>off Site</u>
Sand-Gravel Filter	\$170.00	\$192.00	N/A
Lagoon	\$142 00	\$163 00	N/A
Off Site	N/A	N/A	Pass Through Costs +\$94 00

For design daily flows over 3,000 gallons, the monthly charge on all system configurations will be \$142 00 per 1,000 gallons of daily flow

Additional surcharges will apply when customers exceed their expected design flows. For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply

<u>Excess water usage</u>	<u>Surcharge</u>
1 gallon to 1,000 gallons above expected design flow	\$210 00
1,001 gallons to 2,000 gallons above expected design flow	\$220 00
Over 2,000 gallons above expected design flow	220 00/1000 gallons

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with the increasing the capacity of the system will be paid by the customer

Off Site means the treatment and disposal by another entity such as a city or utility district.

Fees    Nonpayment – 5%  
           Disconnection - \$10  
           Reconnection - \$15  
           Returned Check - \$20